

2007 ANNUAL REPORT

ALABAMA
DEPARTMENT OF FINANCE
DIVISION OF RISK MANAGEMENT





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STATE OF ALABAMA
Department of Finance
Division of Risk Management

Comprehensive Annual Report
For the Fiscal Year Ended September 30, 2007



Bob Riley
Governor

James Allen Main
Director of Finance

Ben M. Spillers
Risk Manager

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MESSAGE FROM THE RISK MANAGER

The 2007 Annual Report provides detailed statistical and financial data regarding the Division of Risk Management's performance in FY 2007. An important part of DORM's operation is successful investment of the equity of each trust fund. Strong investment returns help hold down premiums paid by our client agencies, and assure strong response when disaster strikes.

The Division of Risk Management provides the following services to our clients:

- **The State Insurance Fund (SIF)** provides quality property insurance for state properties, colleges and universities and most public school systems.
- **The General Liability Trust Fund (GLTF)** protects state employees who are subjected to lawsuits arising from the performance of their job duties.
- **The State Employee Injury Compensation Trust Fund (SEICTF)** covers state employees for lost time and medical expenses resulting from accidental injuries while on the job.
- **The Employee Assistance Program** provides counseling and referral for employees with problems that affect job performance.
- **Risk Management Services** delivers an array of skilled services designed to avoid loss, both human and financial.
- **The Alabama Equipment Maintenance Program (EMP)** allows all government agencies and departments to consolidate the care of electronic equipment under one comprehensive program.

The 2007 operations of each of these major areas are outlined in this report.

The constant operating philosophy of the Division is that we are a service organization whose objective is to best meet the needs of our client state agencies. Our staff is productive, professional and motivated. We all look forward to serving our clients even better in 2008.

Ben M. Spillers
Risk Manager

STATE INSURANCE FUND

The State Insurance Fund (SIF) was established in 1923 to provide secure, adequate and economical property insurance on State-owned properties. Our operation closely parallels that of private industry insurance companies in the following ways:

- We establish rates, premium discounts and experience credits to result in equitable premiums charged to the policyholders.
- We adjust and pay losses promptly, recognizing that the SIF has a high obligation to its policyholders due to the legislative act that brought us together.
- We purchase Excess Insurance to protect the State from disasters such as hurricanes and tornadoes.
- We survey properties for safety, loss prevention and property cost evaluations.
- We invest premiums collected to keep future costs low and to build fund equity.

SIF clients whose properties have been inspected are offered replacement cost value coverage for qualified buildings and contents. This valuable coverage provides replacement cost up to 115% of scheduled value in the event of a total loss. Other valuable coverages are Extra Expense, Electronic Data Processing, Builders Risk, Transit, and Boiler & Machinery which is provided by Travelers Insurance Company.

Our three largest losses of the year are listed below:

- 3/1/2007 – Enterprise City School System; Enterprise HS, Hillcrest Elementary, Enterprise JHS and Enterprise Special Projects Center sustained extensive damage by an EF4 tornado. Total Incurred loss is \$23,332,007.78.
- 4/11/2007 – Russell County Board of Education; Russell County HS sustained extensive damage by hail. Total Incurred loss is \$1,667,476.18.
- 6/27/2007 – Selma City School System; Chat Academy sustained extensive damage by an electrical fire. Total Incurred loss is \$1,058,787.70.

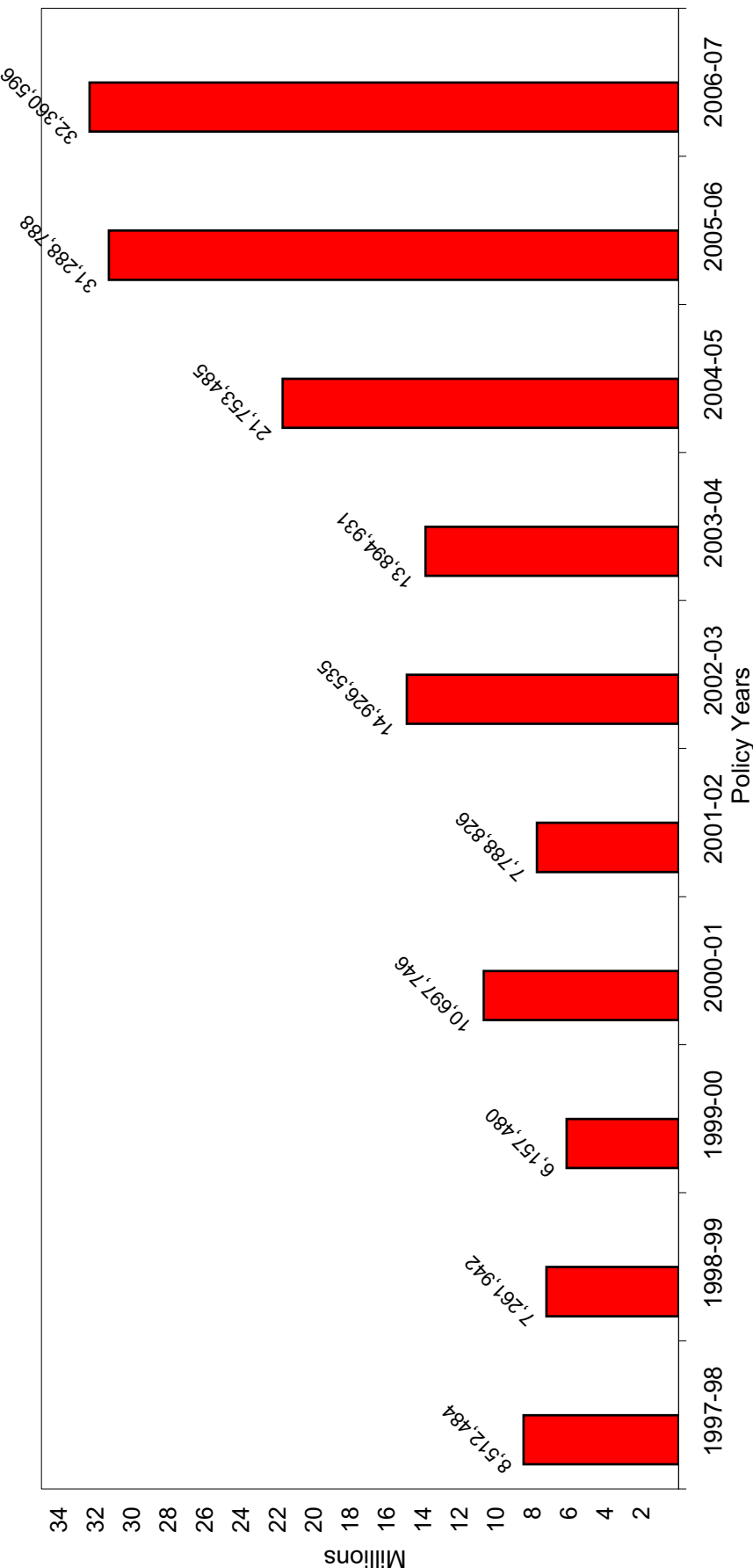
The SIF is on the right course and will continue its fundamental plan. We recognize the financial obligation arising from extraordinary growth in insured values. In 1995, we insured \$11.8 billion in values. Today, we insure over \$31 billion in values. This means our fund equity and financial structure must be adequate to respond and we believe we are positioned to meet the financial demands that are certain to occur in the future.

Values Table			
FY	Statewide Insured Values	Value Increase From Previous Year	Increase
2007	32,314,105,129	3,085,136,998	9.55%
2006	29,228,968,131	2,413,818,467	8.26%
2005	26,815,149,664	1,042,030,042	3.89%
2004	25,773,119,622	1,273,757,518	4.94%
2003	24,499,362,104	2,641,099,820	10.78%
2002	21,858,262,284	1,968,635,457	9.01%
2001	19,889,626,827	1,201,401,396	6.04%
2000	18,688,225,431	1,114,330,758	5.96%

Property Claims Summary Table				
Incurred Losses as of September 30, 2007				
	Number of Claims		Incurred Losses - FY 2007	
Perils	FY 2006	FY 2007	Amount	% of Total
Fire	57	25	\$ 3,183,001	9.28%
Lightning	267	222	\$ 1,097,466	3.20%
Wind	178	145	\$ 26,730,177	77.93%
Burglary	86	86	\$ 614,903	1.79%
Vandalism	24	24	\$ 116,119	0.34%
Hail	29	18	\$ 1,748,654	5.10%
Vehicle	18	14	\$ 72,871	0.21%
Water	73	36	\$ 435,083	1.27%
Boiler & Machinery	19	15	\$ 283,770	0.83%
Collapse	0	1	\$ 1,001	0.00%
Freeze	0	2	\$ 11,775	0.03%
EDP	1	2	\$ -	0.00%
Other	6	3	\$ 6,444	0.02%
Totals	758	593	\$ 34,301,264	100%

Claims Summary				
	FY 2007	FY 2006	FY 2005	FY 2004
Claims Handled	593	758	1,387	1,280
Outside Adjusted	343	393	923	802
Inside Adjusted	250	365	464	478
Average Claim Size	\$ 20,184*	\$ 21,720	\$ 9,971	\$ 7,112
*Removed Enterprise tornado for averaging purposes.				

HISTORY OF PROPERTY LOSSES
1997-2007



GENERAL LIABILITY TRUST FUND

State employees are subject to being sued for their acts and omissions in the performance of their official duties. The General Liability Trust Fund (GLTF) defends and indemnifies eligible employees for up to \$1 million per occurrence.

The GLTF sets aside a monetary reserve for each claim in the amount of the ultimate expected loss. Defense is conducted by the Office of the Attorney General in collaboration with the GLTF.

The highlight of FY 2007 was the settlement of the “Chalkville” claims, consisting of several lawsuits against employees of the Department of Youth Services.

Employee Automobile Liability

The GLTF provides liability coverage for the operators of more than 8,000 state-owned vehicles. These include trucks, tractor-trailer rigs, state trooper and other law enforcement cars, buses and service vehicles, as well as passenger cars. All claims are adjusted by the American Southern Insurance Company.

In addition, thousands of employees regularly or occasionally use their personal autos in their state jobs. For these individuals, the GLTF coverage is excess of their personal auto insurance limits as mandated by our State Legislature.

Auto Exposure Table

Number of Vehicles Insured

Class	Description	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
001	Private Passenger	2,020	2,025	1,907	1,756	1,782
002	Pickups & Vans	3,697	3,531	3,377	3,109	2,865
003	Trucks & Tractors	1,541	1,464	1,401	1,289	1,339
004	Law Enforcement	909	1,054	994	975	981
005	Buses	429	398	407	417	456
006	Motorcycle	6	0	0	0	0
	Total Vehicles	8,602	8,472	8,086	7,546	7,423

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

The State Employee Injury Compensation Trust Fund (SEICTF) pays medical costs for work-related injuries and compensates injured employees for resulting lost work time. This program is similar to the private sector workers' compensation programs.

In 2007:

- Subrogation recoveries exceeded \$ 28,324.
- There was no increase in rates charged to client agencies. Rates used to calculate premiums were 60% less than the NCCI loss cost rates for the private sector workers' compensation insurance in Alabama.
- There was no increase in administration fees charged to self-funded agencies.
- Less than 1% of claims resulted in a formal hearing to address a claim dispute.
- Mediation was offered as an option in lieu of a formal hearing for resolution of claim disputes.
- The pharmacy management initiative resulted in a cost savings of \$ 23,761 during the third year of implementation.

Claims Frequency

	2007	2006	2005	2004
Indemnity	219	223	199	357
Medical Only	2087	2192	2,239	2,048
Incident Only	1117	1106	1,095	1,309
Total # of Claims	3,423	3,521	3,533	3,714

RISK MANAGEMENT SERVICES

Driver Training Courses for covered personnel are available to state agencies through DORM.

With the enactment of the Boiler & Pressure Law on February 5, 2004, mandatory boiler inspections must be performed, at a minimum of, every two years. The state charges a minimum inspection fee of \$60 per boiler, in addition to a fee for the certificate of compliance. As a benefit of your premium with Risk Management, we contract with Travelers Insurance Company to provide this valuable service free to you, which saves you the inspection fee.

A Boiler Operator Training Course for boiler operators and maintenance personnel is conducted at no cost for agencies which participate in the State Insurance Fund. The course focuses on proper maintenance and safe operation of pressurized equipment.

More than 2900 boilers and other items of pressurized equipment were inspected during 2007. These inspections assist agencies in identifying and correcting conditions that could result in sudden breakdown, property damage and personal injury.



THE EMPLOYEE ASSISTANCE PROGRAM

The State Employee Assistance Program (SEAP) provides services to 112 state agencies and departments covering 33,345 employees and family members.

In October 2006, the Division of Risk Management began contracting with an external vendor, Behavioral Health Systems (BHS), in order to expand and enhance the scope of the EAP. BHS is a preferred provider organization specializing in behavioral health care and comprised of high quality providers across the nation. The program is designed to help employees become more effective in their job performance by providing professional, confidential counseling and assistance with various problems. Our EAP plan provides for up to three sessions per year for each employee and family member.

SEAP deals with issues such as supervisor/employee conflict, personal financial management, marital and family disruptions, drug and alcohol abuse, emotional and mental stressors. We also provide services which include critical incident stress debriefing (CISD); supervisor and employee training; referral to community resources, online resources, and 24/7 clinician access.

In 2007:

- There were 372 intake assessments, 270 cases overall and 311 follow-up visits.
- Females represented 58% of clients and males 42%.
- Family members of employees represented 18% and employees represented 82% of the total participation.
- Emotional problems were the most frequent primary issue for clients (39%), followed by marital/family issues (21%), and work related issues (4%).
- 74% of participants were self-referred, 14% were supervisor referred and 6% were family recommended.
- 75% of participants were seen by a therapist, 9% by a psychiatrist, and 7% by a psychologist.
- We provided seven training sessions covering a wide variety of topics for our employees.

THE ALABAMA EQUIPMENT MAINTENANCE PROGRAM (EMP)

The Alabama Equipment Maintenance Program (EMP) allows all government agencies and departments to consolidate the care of electronic equipment under one comprehensive program. By replacing existing service agreements with this program, agencies will gain a programmatic solution that delivers significant cost savings¹, enhanced equipment protection, the freedom to utilize the best service vendor for each and every maintenance action, program management tools and information, and achieve positive control over the financial and operational performance of their equipment maintenance portfolio.

Effective December 1, 2005, The Remi Group (TRG) assumed all administrative operations including payment for service events, management of the EMP, and decreasing the total state expenditures on equipment maintenance. Alabama state agencies can save 25% off vendor maintenance contracts.

The Remi Group's programs are backed by the full faith and credit of leading insurance providers and their financial standing is assured by years of successful operation, outstanding financial structure, and independent rating agencies such as A.M. Best.

¹ The 2007 savings were \$1,201,750.30.

STATE INSURANCE FUND
BALANCE SHEET
 UNAUDITED
 As of September 30, 2007

ASSETS	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>
Current Assets:			
Cash and Cash Equivalents	\$ 2,837,567	\$ 2,872,210	\$ 1,716,943
Accounts Receivable - Recoveries	5,618,101	-	927,615
Due From Other Funds - Premiums	204,107	205,716	71,217
Accrued Interest Receivable	256,066	275,862	319,667
Due From Other Funds - Current	303,132	284,331	209,161
Investments (Fair Value)	-	4,248,661	10,671,204
Prepaid Insurance	8,063,375	5,864,601	4,368,328
Total Current Assets	17,282,348	13,751,381	18,284,135
Long Term Assets:			
Investments (Fair Value)	38,244,347	37,253,264	35,074,112
Investments - Real Estate	5,810,514	6,137,968	7,083,309
Due from Component Unit - Long Term	35,985,000	35,445,000	34,913,000
Due from Other Funds - Long Term	8,941,360	9,240,086	9,524,417
Construction in Progress	1,225,725	-	-
Fixed Assets (Net)	86,295	148,009	151,820
Total Long Term Assets	90,293,241	88,224,327	86,746,658
TOTAL Assets	\$ 107,575,589	\$ 101,975,708	\$ 105,030,793
LIABILITIES & FUND EQUITY			
Current Liabilities:			
Accounts Payable	\$ 46,434	\$ 316,082	\$ 59,562
Total Current Liabilities	46,434	316,082	59,562
Liabilities for Unpaid Claims:			
Unpaid Claims & Expenses	45,367,709	39,540,699	13,037,877
Estimated Recovery of Reserves	(34,781,511)	(24,820,560)	-
Claims Incurred But Not Reported	1,007,959	1,811,480	2,236,230
Total Claim Liabilities	11,594,157	16,531,619	15,274,107
TOTAL Liabilities	11,640,591	16,847,701	15,333,669
Fund Equity:			
Contributed Capital	460,000	460,000	460,000
Fund Balance	95,474,998	84,668,007	89,237,124
	95,934,998	85,128,007	89,697,124
TOTAL Liabilities & Fund Equity	\$ 107,575,589	\$ 101,975,708	\$ 105,030,793

STATE INSURANCE FUND
STATEMENT OF REVENUE AND EXPENSES
UNAUDITED
For the Year Ended September 30, 2007

	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>
REVENUES:			
Earned Premiums	\$ 24,080,167	\$ 22,892,071	\$ 21,110,177
Recoveries	1,104,199	110,581	2,597,510
Investment Income	7,544,754	5,789,560	6,901,808
Prior Year Refund	29,999	5,537	3,485,156
Other Income	1,294,793	1,303,874	840,151
TOTAL REVENUES	\$ 34,053,912	\$ 30,101,623	\$ 34,934,802
EXPENSES:			
OPERATION:			
Loss and Adjustment Expenses	\$ 33,164,117	\$ 31,713,538	\$ 25,499,441
Incurred But Not Reported Expense	(803,521)	(424,750)	(3,745,955)
Reinsurance Expense	15,066,930	11,097,719	8,866,003
Actuarial Services	46,413	28,917	13,250
Investment Expenses	427,497	573,851	303,953
Program Consultants	43,697	7,857	-
Supplies-Software	33,433	-	-
Total Operation	47,978,566	42,997,132	30,936,692
ADMINISTRATION:			
Personnel Salaries	708,682	758,311	596,717
Employee Benefits	227,325	223,540	179,820
Travel In-State	16,219	29,972	28,813
Travel Out-of-State	8,823	3,471	3,309
Repairs and Maintenance	1,101	3,343	329
Rentals and Leases	6,118	2,957	2,820
Utilities and Communication	18,144	14,983	16,758
Professional Services - Non-Claim	376,786	219,649	192,686
Supplies, Materials & Operating Expense	68,130	60,147	37,888
Transportation Equipment Operations	10,846	10,247	14,762
Depreciation Expense	18,598	74,833	43,616
Total Administration	1,460,772	1,401,453	1,117,518
TOTAL EXPENSES	49,439,338	44,398,585	32,054,210
NET REVENUES	\$ (15,385,426)	\$ (14,296,962)	\$ 2,880,592

STATE INSURANCE FUND NOTES TO FINANCIAL STATEMENTS

The State Insurance Fund (SIF) was established in 1923 and is authorized by the Code of Alabama 1975, Section 41-15-1. Its purpose is to insure against direct physical loss on buildings and contents in which title in whole or in part is vested in the State of Alabama or any of its agencies or institutions or in which funds provided by the State have been used for the purchases of land, construction of buildings, purchase or maintenance of any equipment, machinery, furniture, fixtures or supplies in such buildings and public school buildings together with the contents of all such buildings. All covered property shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. City boards of education may insure school buildings and property either in the State Insurance Fund or with an insurance company, whichever in the opinion of such board provides the best coverage for such school buildings and property. The principles of private industry insurance companies are utilized to establish rates, premium discounts, and experience credits to result in equitable premiums charged to policyholders. Excess insurance and reinsurance is acquired to assure the solvency of the fund.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a \$10,000,000 cumulative loss annual deductible, a \$3,500,000 specific loss deductible for all perils except Named Storm Wind, and a \$10,000,000 specific loss deductible for Named Storm Wind. Excess insurance covers claims exceeding \$10,000,000 with a \$750,000,000 limit. Payments received in fiscal year 2007 and 2006 for settlements in excess of deductibles total \$13,230,941 and \$13,446,272 respectively.

The following table represents the changes in claims liabilities for the past two years:

	<u>2007</u>	<u>2006</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 16,531,619	\$ 15,274,107
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	9,173,841	9,089,311
Increases in provision for insured events of prior fiscal years	<u>13,225,805</u>	<u>22,199,477</u>
Total incurred claims and claim adjustment expenses	22,399,646	31,288,788
Payments:		
Claims and claim adjustment expenses attributable to insured events		
current fiscal year	(7,280,429)	(6,104,492)
Claims and claim adjustment expenses attributable to insured events of		
prior fiscal years	<u>(20,056,679)</u>	<u>(23,926,784)</u>
Total payments	(27,337,108)	(30,031,276)
Total unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 11,594,157</u>	<u>\$ 16,531,619</u>

**STATE INSURANCE FUND
INVESTMENT NOTES**

Status - September 30, 2007	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Commercial Paper	\$ -	\$ 4,248,661	(100.0)
US Agency Securities	21,222,970	22,016,690	(3.6)
Mortgage Backed Securities	3,635,793	3,748,829	(3.0)
Mutual Funds	107,438	309,543	(65.3)
Domestic Corporate Stocks	<u>13,278,145</u>	<u>11,178,201</u>	18.8
Total Cash Securities	38,244,346	41,501,924	(7.8)
Real Estate Investments	<u>5,810,514</u>	<u>6,137,968</u>	(5.3)
Total Investments	<u>\$ 44,054,860</u>	<u>\$ 47,639,892</u>	(7.5)

Investment Income

Interest Income	\$ 2,216,367	\$ 2,529,806	(12.4)
Change in Fair Value of Investments	3,842,482	2,504,860	53.4
Gain(Loss) on Sale of Investments	625,248	12,869	47.6
Stock Dividends	284,748	183,037	55.6
Amortization/Depr Income	(331,233)	(340,533)	(2.7)
Rental Income	<u>907,142</u>	<u>899,521</u>	0.8
Total Investment Income	<u>\$ 7,544,754</u>	<u>\$ 5,789,560</u>	30.3

STATE INSURANCE FUND
Underwriting Revenue and Expenditures
Other Revenues and Expenditures
Ten Year Income Summary

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
UNDERWRITING REVENUES:										
Earned Premium	24,080,167	22,892,071	21,110,177	19,854,768	16,718,865	12,360,840	11,504,086	10,611,168	10,258,420	11,241,583
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	27,337,108	30,031,276	18,212,125	10,569,533	14,373,351	7,949,769	9,689,827	5,319,982	10,188,763	5,545,411
Claims and Expenses Unpaid	5,827,009	1,682,262	7,287,315	(1,956,008)	585,467	569,582	997,927	724,523	(145,714)	(631,543)
IBNR Expenses	(803,521)	(424,750)	(3,745,955)	5,281,406	(32,283)	(730,525)	9,992	112,975	(2,781,107)	3,598,616
Total Losses Incurred	32,360,596	31,288,788	21,753,485	13,894,931	14,926,535	7,788,826	10,697,746	6,157,480	7,261,942	8,512,484
Less Recoveries	1,104,199	110,581	6,081,322	351,428	163,817	16,451	28,529	91,560	44,540	309,709
Net Claims	31,256,397	31,178,207	15,672,163	13,543,503	14,762,718	7,772,375	10,669,217	6,065,920	7,217,402	8,202,775
Insurance Rating Services	-	-	-	-	-	-	-	-	-	-
Actuarial Services	46,413	28,917	13,250	12,600	12,000	12,130	11,560	11,030	25,564	29,981
Reinsurance Premium	15,066,930	11,097,719	8,866,003	9,354,929	9,220,295	6,818,750	4,625,350	3,720,562	4,057,885	3,945,428
Program Consultants	43,697	7,857	-	-	-	-	-	-	-	-
Supplies-Software	33,433									
Administrative Expenses	1,460,772	1,401,453	1,117,518	966,577	1,148,240	1,241,649	1,023,677	905,797	1,127,719	1,057,148
Net Claims and Expenses	47,907,642	43,714,153	25,668,934	23,877,609	25,143,253	15,844,904	16,329,804	10,703,309	12,428,570	13,235,332
Net Underwriting Revenues	(23,827,475)	(20,822,082)	(4,558,757)	(4,022,841)	(8,424,388)	(3,484,064)	(4,825,718)	(92,141)	(2,170,150)	(1,993,749)
OTHER REVENUES:										
Investment Income	7,544,754	5,789,560	6,901,808	6,196,585	3,388,881	(576,214)	2,366,716	4,856,766	4,826,420	3,207,728
Other Income	1,324,792	1,309,411	841,494	3,692,660	26,447	97,371	3,188,538	348,119	19,369	
Total Other Revenues	8,869,546	7,098,971	7,743,302	9,889,245	3,415,328	(478,843)	5,555,254	5,204,885	4,845,789	3,207,728
OTHER EXPENSES:										
Appraisal Services										
Investment Expenses	427,497	573,851	303,953	246,698	160,560	222,588	182,429	236,109	157,820	612,809
Penalty Expense										3,467,825
Legal Defense Fees	-	-	-	-	210	153,616	274,053	174,188	24,301	30,587
Total Other Expenses	427,497	573,851	303,953	246,698	160,770	376,204	456,482	410,297	182,121	4,111,221
Net Other Revenues	8,442,049	6,525,120	7,439,349	9,642,547	3,254,558	(855,047)	5,098,772	4,794,588	4,663,668	(903,493)
NET REVENUES	(15,385,426)	(14,296,962)	2,880,592	5,619,706	(5,169,830)	(4,339,111)	273,054	4,702,447	2,493,518	(2,897,242)

**STATE INSURANCE FUND REVENUE EXHIBIT
RETURN ON EQUITY (ROE)**

Fiscal Year	FUND EQUITY	NET REVENUES		UNDERWRITING NET REVENUES		INVESTMENT NET REVENUES	
2007	95,934,998	(15,385,426)	-17.0%	(23,827,475)	-26.3%	7,117,257	7.9%
2006	85,128,007	(14,296,962)	-16.4%	(20,822,082)	-23.8%	5,215,709	6.0%
2005	89,697,124	2,880,592	3.2%	(4,558,757)	-5.1%	6,597,855	7.4%
2004	89,671,432	5,619,706	6.4%	(4,022,841)	-4.6%	5,949,886	6.8%
2003	85,009,572	(5,169,830)	-5.9%	(8,424,388)	-9.7%	3,228,321	3.7%
2002	89,398,395	(4,339,111)	-4.8%	(3,484,064)	-3.9%	(798,802)	-0.9%
2001	91,074,862	273,054	0.3%	(4,825,718)	-5.3%	2,184,287	2.4%
2000	89,772,044	4,643,463	5.3%	(92,141)	-0.1%	4,620,657	5.3%
1999	84,734,741	2,493,518	3.7%	(2,170,150)	-3.2%	4,668,600	6.8%
* 1998	51,724,659	(2,897,242)	-5.6%	(1,993,749)	-3.9%	2,594,919	5.0%
Average Return On Equity			0.5%	-4.4%		4.3%	

* Excludes the Alabama Incentives Financing Authority \$30 Million bond - no income was recorded.

**STATE INSURANCE FUND LOSS EXPERIENCE
BY FISCAL YEAR**

	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
Earned Premium	\$24,080,167	\$22,892,071	\$21,110,177	\$19,854,768	\$16,718,865
Less Reinsurance Cost	15,066,930	11,097,719	8,866,003	9,354,929	9,220,295
Net Premium	\$9,013,237	\$11,794,352	\$12,244,174	\$10,499,839	\$7,498,570
Losses Incurred	27,337,108	30,031,276	18,212,125	10,569,533	14,373,351
Loss and Expense Incurred	5,827,009	1,682,262	7,287,315	(1,956,008)	585,467
Loss Incurred But Not Reported	(803,521)	(424,750)	(3,745,955)	5,281,406	(32,283)
Total Losses Incurred	\$32,360,596	\$31,288,788	\$21,753,485	\$13,894,931	\$14,926,535
Less Recoveries	1,104,199	110,581	6,081,322	351,428	163,817
Net Losses	\$31,256,397	\$31,178,207	\$15,672,163	\$13,543,503	\$14,762,718
Loss Ratio	346.8%	264.3%	128.0%	129.0%	196.9%

*Loss Ratio = Net Losses divided by Net Premium.

GENERAL LIABILITY TRUST FUND
BALANCE SHEET
 UNAUDITED
 September 30, 2007

ASSETS	FY 2007	FY 2006	FY 2005
Current Assets:			
Cash and Cash Equivalents	\$ 718,028	\$ 13,747	\$ 325,869
Due From Other Funds	1,667	2,671	12,746
Accounts Receivable	6,237,662	571,906	982,243
Accrued Interest Receivable	296,966	280,853	263,322
Investments (Fair Value)	-	1,645,523	4,155,299
Prepaid Reinsurance	<u>1,305,437</u>	<u>487,500</u>	<u>499,473</u>
Total Current Assets	8,559,760	3,002,200	6,238,952
Long Term Assets:			
Accounts Receivable Recoveries-Long Term	-	5,561,286	-
Investments (Fair Value)	<u>19,734,175</u>	<u>20,565,811</u>	<u>18,802,297</u>
Total Long-Term Assets	19,734,175	26,127,097	18,802,297
Total Assets	<u>\$ 28,293,935</u>	<u>\$ 29,129,297</u>	<u>\$ 25,041,249</u>
LIABILITIES & FUND EQUITY			
Current Liabilities:			
Accounts Payable	\$ -	\$ 527,944	\$ 1,546,793
Due To Funds	1,000,000	3,000,000	-
Unearned Premium	<u>4,941</u>	<u>-</u>	<u>-</u>
	1,004,941	3,527,944	1,546,793
Liabilities for Unpaid Claims:			
Unpaid Claims & Expenses	10,834,339	12,135,802	16,649,223
Estimated Recovery of Reserves	(713,709)	(2,384,614)	-
Claims Incurred But Not Reported	<u>15,880,105</u>	<u>19,041,100</u>	<u>15,628,074</u>
Total Claim Liabilities	26,000,735	28,792,288	32,277,297
TOTAL Liabilities	27,005,676	32,320,232	33,824,090
Fund Equity:			
Fund Balance	1,288,259	(3,190,935)	(8,782,841)
TOTAL Liabilities & Fund Equity	<u>\$ 28,293,935</u>	<u>\$ 29,129,297</u>	<u>\$ 25,041,249</u>

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GENERAL LIABILITY TRUST FUND
STATEMENT OF REVENUE AND EXPENSES
UNAUDITED

For the Year Ended September 30, 2007

	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>
REVENUES:			
Earned Premiums	\$ 12,590,391	\$ 9,226,426	\$ 8,876,441
Interest Income - Investments	1,007,298	1,037,055	1,158,129
Recoveries	2,517	664	-
Prior Year Refund	<u>250,464</u>	<u>3,387</u>	<u>1,935,522</u>
TOTAL REVENUES	\$ 13,850,670	\$ 10,267,532	\$ 11,970,092
EXPENSES:			
OPERATION:			
Loss and Adjustment Expenses	\$ 6,698,647	\$ 4,725,623	\$ 11,328,128
Incurred But Not Reported Expense	(3,160,995)	3,413,026	3,711,003
Reinsurance Expense	3,915,990	3,723,333	2,876,805
Interest Expense	45,000	-	-
Professional Services-Non-Claim	29,622	18,417	-
Actuarial Services	<u>13,494</u>	<u>13,313</u>	<u>11,000</u>
Total Operation	7,541,758	11,893,712	17,926,936
ADMINISTRATION:			
Personnel Salaries	435,578	381,120	347,573
Employee Benefits	129,701	117,874	107,141
Travel In-State	3,900	10,053	7,457
Out-State Travel	-	203	-
Repairs and Maintenance	130	931	128
Rentals and Leases	2,731	2,748	2,932
Utilities and Communication	3,621	4,237	7,075
Professional Services - Non-Claim	208,937	130,268	75,454
Supplies, Materials & Operating Expenses	37,577	47,173	39,251
Transportation Equipment Operations	<u>2,900</u>	<u>3,854</u>	<u>4,495</u>
Total Administration	825,075	698,461	591,506
TOTAL EXPENSES	<u>8,366,833</u>	<u>12,592,173</u>	<u>18,518,442</u>
NET REVENUES	<u>\$ 5,483,837</u>	<u>\$ (2,324,641)</u>	<u>\$ (6,548,350)</u>

GENERAL LIABILITY TRUST FUND NOTES TO FINANCIAL STATEMENTS

The General Liability Trust Fund (GLTF) was established in 1984 to protect state employees from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of state employment. Claims are investigated and defended through the Office of the Attorney General. Auto Liability is fully re-insured and the re-insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and commensurate premiums assigned to state agencies. Investment activities are an essential part of the General Liability Trust Fund's ability to maintain lower-cost employee liability coverage. Funds in excess of those needed for immediate operations are invested to maximize return and keep premiums down.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Current GLTF Guidelines provide coverage limits of \$1 million per occurrence with an aggregated limit of \$1.2 million.

The following table represents the changes in claims liabilities for the past two years:

	<u>2007</u>	<u>2006</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 31,176,902	\$ 32,277,297
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	(1,017,428)	3,602,051
Increases in provision for insured events of prior fiscal years	<u>4,555,080</u>	<u>4,536,598</u>
Total incurred claims and claim adjustment expenses	3,537,652	8,138,649
Payments:		
Claims and claim adjustment expenses attributable to insured events		
current fiscal year	(786,719)	(766,615)
Claims and claim adjustment expenses attributable to insured events of		
prior fiscal years	<u>(7,213,391)</u>	<u>(8,472,429)</u>
Total payments	(8,000,110)	(9,239,044)
Total unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 26,714,444</u>	<u>\$ 31,176,902</u>

GENERAL LIABILITY TRUST FUND **INVESTMENT NOTES**

Status - September 30, 2007

	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Commercial Paper	\$ -	\$ 1,645,523	(100.0)
US Agency Securities	19,588,068	20,393,966	(4.0)
Mortgage Backed Securities	<u>146,107</u>	<u>171,845</u>	(15.0)
Total Investments	<u>\$ 19,734,175</u>	<u>\$ 22,211,334</u>	(11.2)

Investment Income

Interest Income	1,285,486	1,505,859	(14.6)
Change in Fair Value of Investments	(246,938)	(468,804)	(47.3)
Gain(Loss) on Sale of Investments	<u>(31,250)</u>	<u>-</u>	
Total Investment Income	<u>\$ 1,007,298</u>	<u>\$ 1,037,055</u>	(2.9)

GENERAL LIABILITY TRUST FUND
Underwriting Revenues and Expenses
Other Revenues and Expenses
Ten Year Income Summary

	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>
UNDERWRITING REVENUES:										
Earned Premium	12,590,391 \$	9,226,426 \$	8,876,441 \$	8,570,498 \$	7,761,570 \$	7,607,325 \$	7,369,736 \$	7,363,084 \$	7,269,520 \$	7,606,156 \$
UNDERWRITING EXPENSES:										
Losses and Adjustments										
Loss Expenses	5,783,081	1,342,320	4,160,394	2,690,280	4,798,492	4,015,847	3,413,072	2,589,829	3,620,757	1,094,727
Adjustment Expenses	915,566	3,383,303	7,167,734	4,288,480	4,589,140	4,261,636	1,756,478	1,202,739	1,186,688	1,042,305
IBNR Expenses	(3,160,995)	3,413,026	3,711,003	(116,919)	1,256,681	(242,402)	1,649,106	(1,196,798)	(1,552,032)	3,126,985
Total Losses Incurred	3,537,652	8,138,649	15,039,131	6,861,841	10,644,313	8,035,081	6,818,656	2,595,770	3,255,413	5,264,017
Less Recoveries	2,517	664	-	3,024	7,679	600	2,386	1,843	150	170,977
Net Claims	3,535,135	8,137,985	15,039,131	6,858,817	10,636,634	8,034,481	6,816,270	2,593,927	3,255,263	5,093,040
Reinsurance Premium - Liability	-	-	-	-	-	290,333	517,667	454,667	334,950	374,900
Reinsurance Premium - Automobile	3,915,990	3,723,333	2,876,805	3,609,850	4,019,655	1,866,455	1,340,280	2,389,277	1,944,327	2,288,064
Actuarial Services	13,494	13,313	11,000	10,500	10,000	10,475	9,985	9,500	4,988	19,040
Professional Services-non claim	29,622	18,417	-	-	-	-	-	12,838	-	-
Interest Expense	45,000	-	-	-	-	-	-	-	-	-
Administrative Expenses	825,075	698,461	591,506	506,908	488,084	478,290	400,143	474,285	536,187	559,106
Net Underwriting Expenses	8,364,316	12,591,509	18,518,442	10,986,075	15,154,373	10,680,034	9,084,345	5,934,494	6,075,715	8,334,150
Net Underwriting Revenues	4,226,075	(3,365,083)	(9,642,001)	(2,415,577)	(7,392,803)	(3,072,709)	(1,714,609)	1,428,590	1,193,805	(727,994)
OTHER REVENUES:										
Investment Income	1,007,298	1,037,055	1,158,129	1,003,052	950,678	1,218,784	1,665,939	590,281	945,845	1,252,740
Prior Year Refund	250,464	3,387	1,935,522	1,254,458	-	15,119	-	450	-	-
Net Other Revenues	1,257,762	1,040,442	3,093,651	2,257,510	950,678	1,233,903	1,665,939	590,731	945,845	1,252,740
NET REVENUES	<u>\$ 5,483,837</u>	<u>\$ (2,324,641)</u>	<u>\$ (6,548,350)</u>	<u>\$ (158,067)</u>	<u>\$ (6,442,125)</u>	<u>\$ (1,838,806)</u>	<u>\$ (48,670)</u>	<u>\$ 2,019,321</u>	<u>\$ 2,139,650</u>	<u>\$ 524,746</u>

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
BALANCE SHEET
UNAUDITED
September 30, 2007

ASSETS	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>
Current Assets:			
Cash and Cash Equivalents	\$ 5,523,863	\$ 26,119	\$ 1,773,716
Due From Other Funds- Premiums	910,882	832,040	880,924
Due From Other Funds - Other	1,164,184	3,000,000	-
Accrued Interest Receivable	227,759	229,342	179,713
Investments (Fair Value)	<u>1,006,910</u>	<u>2,291,335</u>	<u>4,454,168</u>
TOTAL Assets	8,833,598	6,378,836	7,288,521
Long-Term Assets:			
Investments (Fair Value)	<u>15,822,460</u>	<u>16,159,450</u>	<u>14,313,700</u>
Total Long -Term Assets	15,822,460	16,159,450	14,313,700
 TOTAL ASSETS	 <u>\$ 24,656,058</u>	 <u>\$ 22,538,286</u>	 <u>\$ 21,602,221</u>
 LIABILITIES & FUND EQUITY			
Current Liabilities:			
Accounts Payable	\$ 106,550	\$ 947,106	\$ 704,213
SEICTF Self Insured Deposits	<u>257,000</u>	<u>257,000</u>	<u>257,000</u>
Total Current Liabilities	363,550	1,204,106	961,213
Liabilities for Unpaid Claims:			
Unpaid Claims & Expenses	4,161,717	4,578,312	3,830,302
Claims Incurred But Not Reported	<u>2,056,106</u>	<u>4,246,508</u>	<u>4,344,645</u>
Total Claim Liabilities	6,217,823	8,824,820	8,174,947
 TOTAL Liabilities	 6,581,373	 10,028,926	 9,136,160
Fund Equity:			
Fund Balance	18,074,685	12,509,360	12,466,061
 TOTAL Liabilities & Fund Equity	 <u>\$ 24,656,058</u>	 <u>\$ 22,538,286</u>	 <u>\$ 21,602,221</u>

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF REVENUE AND EXPENSES
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>
REVENUES:			
Earned Premiums	\$ 3,384,120	\$ 3,253,101	\$ 2,936,164
Interest Income - Investments	1,030,081	1,016,978	870,503
Interest Income	45,000		
Subrogation Recoveries	165,013	149,161	140,085
Prior year Refund	420	-	219,399
Other Income - Administrative Fees	<u>1,248,844</u>	<u>1,266,809</u>	<u>1,384,356</u>
TOTAL REVENUES	5,873,478	5,686,049	5,550,507
EXPENSES:			
OPERATION:			
Loss and Adjustment Expenses	439,923	3,262,817	499,372
Incurred But Not Reported Expense	(2,190,402)	(98,137)	(1,213,691)
Actuarial Services	22,986	45,255	47,388
Other Operational Expense	<u>1,105,853</u>	<u>1,025,005</u>	<u>906,510</u>
Total Operation	(621,640)	4,234,940	239,579
ADMINISTRATION:			
Personnel Salaries	939,217	727,354	698,134
Employee Benefits	323,386	253,725	244,942
Travel In-State	600	975	100
Travel Out-of-State	1,571	-	973
Repairs and Maintenance	8,599	1,121	973
Rentals and Leases	5,609	5,017	5,354
Utilities and Communication	17,121	19,904	32,039
Professional Services - Non-Claim	170,122	123,989	118,515
Supplies, Materials & Operating Expenses	63,462	67,799	74,688
Transportation Equipment Operations	<u>-</u>	<u>-</u>	<u>27</u>
Total Administration	1,529,687	1,199,884	1,175,745
TOTAL EXPENSES	908,047	5,434,824	1,415,324
NET REVENUES	\$ 4,965,431	\$ 251,225	\$ 4,135,183

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

NOTES TO FINANCIAL STATEMENTS

The State Employee Injury Compensation Trust Fund (SEICTF) was created by the legislature on October 1, 1994. Its purpose is to provide benefits to eligible state employees for job-incurred injury. Benefits under SEICTF are administered by the Division of Risk Management in accordance with the Alabama Administrative Code and include all reasonable medical expenses arising from a job-incurred injury, benefits for time lost from the job, and benefits to dependents of employees who are fatally injured on the job. Specifically excluded from coverage are employees of the State Port Authority, educational institutions, and boards of education. A key element in assuring effective and efficient operation of SEICTF was the creation of a statewide medical provider network with a focus on professionals who are experts in treating occupational injury.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not been reported. This liability and expense is determined by a professional actuary.

The following table represents the changes in claims liabilities for the past two years:

	<u>2007</u>	<u>2006</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 8,824,820	\$ 8,174,947
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	(2,168,406)	423,914
Increases in provision for insured events of prior fiscal years	<u>417,927</u>	<u>2,740,766</u>
Total incurred claims and claim adjustment expenses	(1,750,479)	3,164,680
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(42,826)	(402,369)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(813,692)</u>	<u>(2,112,438)</u>
Total payments	(856,518)	(2,514,807)
Total unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 6,217,823</u>	<u>\$ 8,824,820</u>

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
INVESTMENT NOTES**

Status - September 30, 2007

	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Commercial Paper	\$ -	\$ 2,291,335	(100.0)
US Treasury Securities	1,006,910	-	
US Agency Securities	<u>15,822,460</u>	<u>16,159,450</u>	(2.1)
Total Investments	<u>\$ 16,829,370</u>	<u>\$ 18,450,785</u>	(8.8)

Investment Income

Interest Income	1,171,802	1,326,989	(11.7)
Change in Fair Value of Investments	(126,096)	(310,011)	(59.3)
Gain(Loss) on Sale of Investments	<u>(15,625)</u>	<u>-</u>	
Total Investment Income	<u>\$ 1,030,081</u>	<u>\$ 1,016,978</u>	1.3

STAFF

RISK MANAGER	Ben M. Spillers
ADMINISTRATIVE	Marilyn Tucker Beverly McDonald Laura Robinson
INFORMATION SYSTEMS	Becky Cole Sharon Henderson
LEGAL	Jerry Carpenter Hank Draughon
CLAIMS	Kim Huggins Leigh Warner Dorothy Roberts Hugh Gale Teresa Nobles
EMPLOYEE ASSISTANCE.....	Sam Boswell Janice Carter
LOSS CONTROL.....	Robert Smith Jack Pierce Walter Cooper Harper Pruett Ken Barnett
UNDERWRITING	Dan Burgess Carl Walter Dale Whittle
EMPLOYEE INJURY	Pete Maddock Sandra Landers Ann Jackson Dorothy Kelly Georgia Ivey Jana Blake Lou Scholl Paula Cole Paulette Weeks Rosanna McHargue Sirena Sheridan Sylvia Williams Tammy Montgomery Tammy Sasser Terri Loving